

COCONINO COUNTY COMMUNITY COLLEGE DISTRICT

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2004



Prepared by
District Business and Administrative Services Office
Flagstaff, Arizona

Coconino County Community College District

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**Coconino
Community
College**

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Introductory Section



**Coconino
Community
College**



LONE TREE CAMPUS 2800 S LONE TREE RD FLAGSTAFF AZ 86001-2701

October 20, 2004

To the Citizens of Coconino County Community College District:

We are pleased to provide to you the Comprehensive Annual Financial Report (CAFR) of the Coconino County Community College District (the District), Flagstaff, Arizona for the fiscal year ended June 30, 2004.

Responsibility for both the accuracy and completeness of the data, as well as the fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Annual Budgeted Expenditure Limitation Report (ABELR). The introductory section includes this transmittal letter, a list of principal officers, the District's organizational chart, and the District's Vision, Mission, and Values. The financial section includes Management's Discussion and Analysis (MD&A), the independent auditor's report, and the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The statistical section includes selected unaudited financial and demographic information, generally presented on a multi-year basis. The ABELR section includes the required schedules and the independent auditor's report.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996; the U.S. Office of Management and Budget Circular A-133; and Government Auditing Standards issued by the Comptroller General of the United States. Information related to this single audit, including the Schedule of Expenditures of Federal Awards and auditors' reports on internal controls and compliance with applicable laws and regulations, will be available by contacting the Controller.

Coconino County Community College District is committed to offering quality educational programs and services at a reasonable cost for the citizens of Coconino County. The District provides a wide range of programs, including general academic, technical-vocational, student development services, continuing education, and community service.

Organization and Administration

The District is operated as a comprehensive community college under the laws of the State of Arizona. The College is governed by a five-member District Governing Board (the Board). Each Board member is elected from one of the five precincts in Coconino County on a six-year staggered basis. The Board has oversight responsibility and control over all District activities. The administrative staff is responsible for the daily operation of the District.

Entity

The District is an independent reporting entity within the criteria established by generally accepted accounting principles and the Governmental Accounting Standards Board. The Board has governance responsibilities over all activities related to public community college education within the jurisdiction of the District. These responsibilities include the receipt of monies from local, state, and federal government sources and compliance with accompanying requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public, have decision-making authority with the power to designate management, maintain the responsibility to significantly influence operations, and possess primary accountability for fiscal matters. All funds of the District are included in this report.

History

The citizens of Coconino County in November of 1990 established the District under the provisions of legislation enacted by the Arizona State Legislature in 1971. In May 1991, the District's funding was approved through special election, and operations began on July 1, 1991. The District boundaries are coterminous with the boundaries of Coconino County.

Economic Condition and Outlook

Coconino County is located in the northern portion of the State and encompasses an area of approximately 12 million acres or over 18,000 square miles. Its boundaries include the cities of Page, Fredonia, Tuba City, Grand Canyon, Williams, Sedona, and Flagstaff, as well as other smaller cities and towns, and all the unincorporated areas of the County. The County's 2003 population has been estimated at 121,301 by the U.S. Census Bureau. The Arizona Department of Economic Security projects the County population to reach 156,549 within the next ten years.

The share of the County's labor force is heavily weighted towards government, trade, and service employment. These sectors employ over 85% of the entire county's nonagricultural work force. Relative to the rest of the state, the work force employed by government is high. Part of the reason for the large number of government workers in the county is the presence of several major national parks, the large portion of the county covered by Indian reservations, and the high percentage of the total area in county public lands (94% of the county is public land; including Indian reservations which cover 45% of the county).

The State and National economy have improved this past year and property values in Coconino County have continued to grow. However, County unemployment rates have remained higher than both state and national levels and the District must contend with the continued limited funding from the State. The District is committed to improving and offering additional services to meet the county needs. These efforts are achieved through careful monitoring of costs, innovative partnerships, continual searching for cost saving opportunities, and seeking new revenue sources.

Growth of Student Population

The District began in 1991, initially expecting to serve 600 students. Nearly 1,000 students registered the first semester. Since then, enrollment has increased dramatically. Today the College enrolls over 9,500 students annually (duplicated headcount).

Major Initiatives and Impacts

Over the last few years, various federal, state, and local conditions have resulted in reduced revenues for the District. These forces, combined with the increasing operational expense for the District's new facilities, student population growth, technology demands, and increased costs for medical insurance, have resulted in the District performing a comprehensive review of all budgets. Management will continually monitor these conditions, as well as legislative initiatives, to further understand the upcoming impact to the District and its community.

Personnel – Salaries and Benefits

The District has reviewed all benefits and salaries compared to market with the goal of maintaining salaries at market. The District hired a consulting firm to perform a Fair Labor Standards Act (FLSA) audit of positions and perform a classification review of personnel to ensure that as positions evolve with the growth of the District, the District remains competitive and fair with regard to its human resources. Additionally, the salary schedules have been adjusted for the rise in cost of living. Generally for fiscal year 2005, all classified personnel will be receiving a 2.5% raise plus \$250, administrative/professional will be receiving on average a 3.0% raise, and faculty will receive a 1.5% raise plus a 2.0% step increase. The District is budgeting

for a 4.5% increase in medical insurance of which the increase in family coverage will be shared proportionally with the employee. The District has dropped eye coverage with Avesis in favor of VSP, which covers one annual eye examination for a nominal office co-pay. With the new VSP eye plan employees can opt to pay a higher premium to receive additional benefits such as eye glasses or contacts. Dental premium increases are budgeted at a 5% increase. The District provides life insurance at two times the annual salary up to \$75,000. The general fund impact of new personnel, wage, and benefit changes amounts to an increase of approximately \$1.1 million or 13.8% over the fiscal year 2004 budget.

The District is working toward continual development of personnel by providing customer service and professional development workshops, tuition waivers and tuition reimbursements, a wellness program, development of a supervisory handbook, and refining personnel procedures.

Workforce Development

The District has initiated a concentrated effort over the past four fiscal years to provide communities with more occupational and technical training. The voters of Arizona recently passed proposition 301, which provides a 0.6% sales tax to assist in this effort. The District anticipates receiving approximately \$354,913 in fiscal year 2005 from this sales tax, which the District is restricting to fund workforce development activities. Specifically, these funds will be used to pay for the salaries and benefits of various coordinator positions with the programs' operational expenses being funded from the General Fund. Workforce development programs include nursing, construction technology management, and the Cisco academy.

Efficiency

As our student population and required services continue to increase amidst declining state revenues, it is paramount that the District maximize its efficiency. The District continually reviews its utilization of facilities and through the use of energy saving technology is projecting a utility savings of nearly \$24,000 in fiscal year 2005. Supply and material expenses have been reduced by 13.8% and travel expenses have been reduced by 5.3%. In-house snow removal and formally outsourced maintenance resulted in annual savings of about \$65,000 in fiscal year 2004 and is projected to have a payback period of less than three years. Additionally, the District is seeking external funding sources, such as the new federal Title III Cooperative grant with Northland Pioneer College to enhance distance learning and donations from the Coconino Community College Foundation.

Growth

Throughout its history, the District's full-time student equivalency (FTSE) has grown an average of 11.9% per year from 491 in fiscal year 1992 to a budgeted 2,000 for fiscal year 2005. This growth has corresponded to many changes over the years,

including increases in personnel as well as facilities. The District conducts operations throughout the largest county in Arizona, including two campuses in Flagstaff, a campus in Page, a campus in Williams, and distance learning facilities in both Grand Canyon and Tuba City. In fiscal year 2005, the Page campus will begin offering classes on a limited basis to the community of Fredonia.

The growth the District has experienced has led to the need for enrollment management – the District needs to grow efficiently. Through the District's retention and recruitment efforts, continued growth is possible and manageable. The District has begun efforts to implement a marketing plan to help the District recruit and retain core student populations.

New Faculty and Programs

Part of the District's strategic plan includes increasing its full-time to part-time faculty ratio. To that end, five new full-time faculty positions are included in the fiscal year 2005 budget. Two of these positions will be for the expansion of the nursing program at the Flagstaff campus and the exploration of instituting a nursing program at the Page campus. The other three positions will be in Biology, Spanish, and Computer Information Systems (CIS). The District has become an active partner for Adult Basic Education (ABE) and has initiated the process to consolidate this function with other entities in Northern Arizona, such as Flagstaff Unified School District (FUSD), Coconino County Superintendent of Schools, and Northern Arizona University (NAU). Still to be determined is when the District will become fiscal agent of the ABE program, staffing issues, and steps needed for the program to succeed and continue to provide quality ABE services to the citizens of Coconino County.

Title III Grant for Distance Learning

In fiscal year 2000, the District was awarded the Title III Grant for Distance Learning. This grant, along with District operating funds and bond proceeds, has offered the funding needed to start up several distance learning initiatives in an effort to provide educational opportunities in our widespread district. Title III grant funds have also been used for course development, help desk coverage for WebCT (web based distance delivery system), and for faculty and staff professional development. The Title III Grant is scheduled to continue funding these initiatives through September 2004, at which time the District will fund a portion of the initiatives with the General Fund. The total transfer of these ongoing expenses for distance learning amounts to approximately \$162,152.

Fiscal Year 2004 Accomplishments

Significant accomplishments for fiscal year 2004 include:

- Developed a collaborative Title III grant proposal with Northland Pioneer College that will enhance and expand services for distance learning.

- Increased associate faculty participation in professional development opportunities.
- Received North Central Association of Colleges (NCA) endorsement to deliver instruction at a distance.
- Admitted first class of nursing students.
- Reached record enrollment in Spring 2004 (4,204 students; 1,645.6 FTSE).
- Online registration became fully functional and this mode of registration reached 20% of all credit hours.
- Held first General Education Development (GED) graduation with nearly 300 attending, including community and educational leaders.
- Developed Flagstaff City-Coconino County library partnership.
- Implemented web-based payment system that enables students to pay their registration and fees on-line.
- Secured funding for the Nursing program.
- Updated long-term capital improvement plan for continued maintenance of all campuses.
- Web course and Interactive Television (ITV) enrollments grew over 75% from fiscal year 2003.
- Expanded the College's online portfolio to twenty-eight Web courses.
- Successfully launched "Teens on Campus" programs in fine arts and computer information systems.
- Expanded and maximized dual enrollment opportunities with Page High School, over 200 students are currently enrolled.
- Enhanced the science lab in Page to support pre-nursing classes such as chemistry, anatomy, physiology, and microbiology.
- Expanded professional development opportunities for Page full and part-time faculty and additional support programs for Page students.
- Completed Phase II of the Fourth Street renovation project.
- Implemented tuition structure which plateaus from 12 – 18 credit hours.

Fiscal Year 2005 Goals

Significant goals for fiscal year 2005 include:

- Build on data usage to meet objectives for program assessment and institutional effectiveness.
- Develop a plan for a "Master Teacher" curriculum.
- Increase average class size.
- Improve employee morale.
- Recognize, develop, and articulate the learning and teaching components inherent in the division (Student Affairs) to align them more closely with the instructional mission and strategic goals of the College.
- Continue developing student life and connection to the College via clubs, social and academic activities, and recognition of artistic, technical, community, and scholarly achievements.

- Develop meaningful ways to recognize and celebrate staff creativity and accomplishments.
- Expand on-line services to include graduation requirements check (degree audit) and online admissions applications.
- Disburse financial aid directly to student checking accounts and lay groundwork for student loans to improve access.
- Develop an integrated student authentication system to reduce the number of usernames and passwords that a student needs to access the various services at CCC.
- Review current instructional computer equipment inventories and develop a planning document that incorporates a sustainable replacement cycle based on existing budgetary resources and projected needs with the instructional areas.
- Develop comprehensive plan for seeking grants.
- Continue efficiency and proficiency training with the door control software programs.
- Provide training for security personnel on how to conduct a proper investigation.
- Web and ITV classes will comprise over 20% of the College's total enrollment.
- Satellite campuses (primarily Williams and Grand Canyon) enrollments will achieve significant growth (60-80%) from fiscal year 2004.
- Enrollment in the College's customized and contracted training services (for key employers/employment sectors) will grow by at least 15% from fiscal year 2004.
- Explore feasibility of an associate degree Nursing program at the Page Campus.
- Implement a comprehensive development education program at the Page campus.
- Expand CCC course offerings and services to Fredonia in a prudent and responsible manner.
- Construct maintenance building to safeguard College assets.

Financial Information

The District's responsibilities for stewardship, safeguarding of assets, and accountability to resource providers are fulfilled by effective management of these funds through internal control, budgetary controls, cash management, and financial reporting.

Internal Control

The District's administration is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure adequate accounting data are compiled to

allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The District's annual audit was conducted by the Certified Public Accounting firm of Miller, Allen & Co., P.C. The auditors consider the adequacy of internal controls and test the District's compliance with applicable laws and regulations. The results of their audit procedures will be described in the auditors' report on compliance and on internal control over financial reporting to be issued later.

Single Audit

As a recipient of federal, state, and local assistance, the District also is responsible for providing adequate internal controls to ensure compliance with applicable laws and regulations related to those programs. This internal control system is subject to periodic evaluation by management and the independent auditors of the District.

As part of the District's single audit, the auditors have tested the District's compliance with requirements applicable to its major federal program and considered its internal control over compliance with requirements that could have a direct and material effect on a major federal program. The results of their audit procedures will be described in the auditors' report on compliance with requirements applicable to each major program and internal control over compliance to be issued later. Copies of the single audit reports will be available in the Office of the Controller.

Budgetary Controls

The District maintains budgetary controls by line-item of the approved budget. Budget transfers are restricted by function and object. The objective of these budgetary controls is to ensure compliance with the annual budget adopted by the District's Governing Board. The legal level of budgetary control is by summary line item of the current and plant funds.

Budgetary compliance is also demonstrated with the issuance of an annual budgeted expenditure limitation report, which is also audited. The purpose of the expenditure limitation is to control expenditures and limit future increases in spending to adjustments for inflation; deflation; population growth of counties, cities, and towns; and student population growth of community college districts.

An encumbrance accounting system is maintained by the District as one technique of accomplishing budgetary control. Open encumbrances are not reported as reservations of fund balance at year end, but are liquidated (lapse at year end). Encumbrances are re-established at the beginning of the next fiscal year as an obligation against the current year's adopted budget.

District Functions

The District exercises primary property tax levy authority for generation of funds for operating purposes. State appropriations are also received based on Full Time Student Equivalent (FTSE) enrollment and formula funding. One FTSE equals 15 credit hours per semester.

Cash Management

The District is governed by the Arizona Revised Statutes relating to the overall investment of idle public funds. The fiduciary responsibility of such investments is entrusted to the District Governing Board and facilitated through the Vice President for Business and Administrative Services.

Idle funds are invested by the District in a prudent, conservative, and secure manner for the highest yield as prescribed by Arizona Revised Statutes. Monies are on deposit with the State and County Treasurers. Amounts which are idle during the year are invested by the Treasurers on a pooled basis with the interest prorated back to the District.

During the year, idle funds were invested in demand deposits, notes, commercial paper, and certificates of deposit through the State of Arizona Local Government Investment Pool. The average yield on investments was 1.44 percent. The District's cash management objective is to equal or exceed the average returns on the thirteen week U.S. Treasury Bill rates. The average yield for 90-day U.S. Treasury Bills issued during the year was 0.97 percent.

Financial Reporting

The Comprehensive Annual Financial Report (CAFR) for the District was formulated with data from several sources, including District records and Coconino County Department of Finance reports. These statements present information on the financial condition of the District and whether resources were adequate to cover the costs of providing services during the reporting period. The District's CAFR is distributed to the District Governing Board and executive management, the State legislature, Federal and State agencies, and financial institutions as well as others throughout the general public. Internal management reports are customized and provided to meet the information and decision-making needs at all levels of the organization to aid management in the allocation of resources.

Debt Administration

The District sold \$25 million in general obligation bonds in January 1999. The voters of Coconino County have approved a secondary tax to retire this debt. These bonds are tax exempt and therefore subject to federal arbitrage requirements. The District has contracted with Gust-Rosenfeld for bond counsel and RBC Dain-Rauscher for financial advisement in the administration of this debt to ensure compliance with all state and federal regulations.

Risk Management

A full complement of insurance coverage is maintained for the District in accordance with Arizona Revised Statutes. Liability coverage is broad in form, including errors and omissions and "wrongful acts" coverage, and is maintained with policy limits totaling \$50,000,000. Casualty coverages are maintained on a replacement value basis with a schedule of values agreed upon between the carrier and the District. Miscellaneous coverages include crime and fidelity coverages. Workers' Compensation coverage is maintained through the State Fund.

Independent Audit

The District utilized the audit services of the Certified Public Accounting firm of Miller, Allen & Co., P.C. to comply with Arizona Revised Statutes, which require an annual audit of the District's financial statements. This requirement has been complied with and the Independent Auditors' Report is included in this document. The auditors' expressed an unqualified opinion.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coconino Community College for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the ninth consecutive year that Coconino Community College District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgement

We thank the members of the District Governing Board for their interest and support in planning and conducting the financial operations of the District in a highly responsible and progressive manner. The preparation of this report could not have been accomplished without the hard work and dedicated services of the Business and Administrative Services staff. Appreciation is also expressed to Miller, Allen & Co., P.C. for timely completion of the audit.

Respectfully submitted,

Thomas S. Jordan
President

Jami V. Bradley, Vice President
Business and Administrative Services

Coconino County Community College District

Principal Officers

District Governing Board

Nat White, Member, District 1

Carole Mandino, Chair, District 2

Daniel W. Baertlein, Member, District 3

Patrick Hurley, Secretary, District 4

Val Gleave, Member, District 5

Administration

Thomas S. Jordan, President

Jami V. Bradley, Vice President for Business and Administrative Services

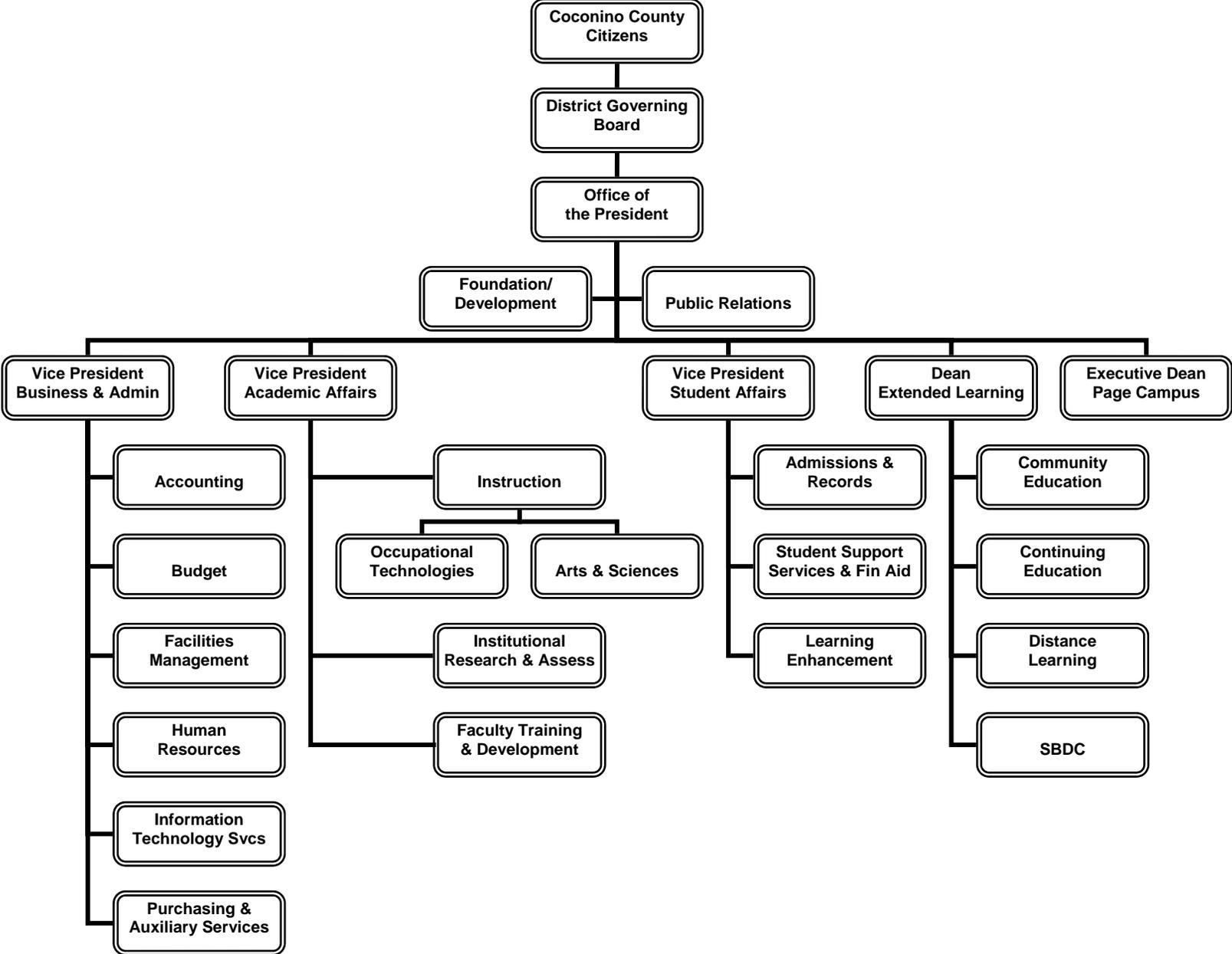
Kathleen Corak, Vice President for Academic Affairs

David L. Minger, Vice President for Student Affairs

Lloyd Hammonds, Executive Dean Page Campus

Michael Lainoff, Dean for Extended Learning

Coconino County Community College District Organizational Chart





Coconino Community College

Vision, Mission, Purposes & Core Values

Vision

Coconino Community College strives to be Northern Arizona's premier learner-centered community for pursuing your dreams of success.

Mission

Coconino Community College provides personalized and accessible opportunities in higher education by offering transfer, career and technical programs, and community interest courses.

Purposes

Coconino Community College has identified the following purposes to achieve its mission:

- **General Education** to provide learners with the foundation of a liberal education, including a core of learning opportunities in reading, writing, quantitative and critical thinking which form a solid foundation for lifelong learning and success in academic, career, and life goals.
- **Transfer Education** to provide learners with the curriculum necessary to transfer to baccalaureate-granting institutions.
- **Occupational Education** to provide learners with the skills and knowledge necessary to pursue occupational careers and/or life goals.
- **Continuing Education** to provide learners and constituencies who are not directly served by the College's arts and sciences and occupational and professional technologies divisions with learning opportunities.
- **Developmental Education** to provide the curriculum necessary to prepare learners for college-level course work and the workplace.
- **Economic Development** to respond quickly in the advancement of regional economic development goals through curriculum development and skills training.
- **Technology Integration** to provide state-of-the-art technological education and training opportunities for the student body and the community.
- **Student Services** to facilitate access to the college and to support learners' attainment of educational goals.
- **Cultural and Community Service** to develop and provide activities and programs that celebrate and preserve cultural diversity and awareness, encourage volunteer service, support community awareness, protect public welfare, and support fine and performing arts.

Core Values

We – the personnel and District Governing Board of Coconino Community College – are dedicated to providing quality educational opportunities to our community. In doing so, we commit to the following core values to guide our decisions and behaviors as we seek to meet the changing needs, aspirations, and goals of our community.

- **People** – We strive to accept the uniqueness of each individual and the contribution each person makes. We strive to create a caring, accepting, and productive environment for our students, employees, and community.
- **Learning and Growth** – We are dedicated to providing lifelong learning opportunities for our students, employees, and community to empower them to achieve their dreams. In this endeavor, we create learning opportunities that are accessible and relevant to our students and which place the learner first.
- **Quality** – We recognize the importance of continually improving our educational offerings and services and the need to hold our students and ourselves to high expectations and standards. We employ a dynamic, strategic planning process and constantly assess our activities to be responsive and accountable to our students, employees, and community.
- **Ethics** – We believe that to be effective we must demonstrate integrity. Therefore, we uphold the highest ethical standards in all of our activities resulting in a responsible and fair environment for our students, employees, and community and a responsive and open decision-making process.
- **Community** – We exist for our community; therefore, we must be responsive to its changing needs and its diversity. To do so, we strive to provide services that are timely, accessible, and affordable. We also pursue partnerships and collaborations throughout our community to be responsive to the needs of our diverse populations.
- **Respect** – We recognize that learning cannot occur without respect. We are committed to the acceptance of diverse cultures, differing ideas and beliefs, and the uniqueness of each individual since these are the foundations of respect.

Financial Section



**Coconino
Community
College**

MARK L. LANDY, C.P.A.
STEPHEN T. HARRIS, C.P.A.

ROBERT L. MILLER, C.P.A.
(1931 - 1992)

Independent Auditor's Report

The Auditor General of the State of Arizona

Members of the Arizona State Legislature

The Governing Board of
Coconino County Community College District

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Coconino County Community College District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts for the discretely presented component unit is based solely on the report of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited by the other auditors in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Coconino County Community College District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, for the year ended June 30, 2004, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District or its constituents.

The Management's Discussion and Analysis on pages 19 through 27 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



October 29, 2004

**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2004. Please read it in conjunction with the transmittal letter, which immediately precedes this section, and the District's basic financial statements, which immediately follows.

Basic Financial Statements

Beginning with fiscal year 2001-02, the District has presented annual financial statements in accordance with the then newly effective pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing generally accepted accounting principles (GAAP) for state and local governments, including public institutions of higher education. These pronouncements permit public colleges and universities to use the guidance for special-purpose governments engaged only in business-type activities, in their separately issued financial statements. As such, the reader will observe that the presentation format has shifted from a columnar fund group format to a consolidated, single column format, similar to the type of financial statements one might encounter from a typical business enterprise or a not-for-profit organization. During the year ended June 30, 2004, the District implemented the provisions of the GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District. Accordingly, the financial statements of the Coconino County Community College Foundation are discretely presented. The basic financial statements consist of the following:

Statement of Net Assets

The Statement of Net Assets reflects the financial position of the District at June 30, 2004. It shows the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents the institutional equity or ownership in the total assets of the District.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue operations of the District. They are also able to determine how much the District owes vendors and investors. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the District.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the District's equity in property, plant, and equipment owned by the District. The next category is restricted net assets, which are expendable. Expendable restricted net assets are available for expenditure by the District but must be spent solely for the purpose of their restriction. The final category is unrestricted net assets, which are available to the District for any lawful purpose of the District.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations and other changes for the year ended June 30, 2004. It shows the various

**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

revenues and expenses, both operating and nonoperating, reconciling the beginning net assets amount to the ending net assets amount, which is shown on the *Statement of Net Assets* described above.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District. Nonoperating revenues are revenues received for which goods and services are not provided. For example, State Appropriations are nonoperating because they are provided by the Legislature to the District without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Cash Flows

The Statement of Cash Flows reflects the inflows and outflows of cash and cash equivalents for the year ended June 30, 2004. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the Statement of Net Assets described above. In addition, this statement reconciles cash flows used for operating activities to operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

Condensed Financial Information

Statement of Net Assets			
As of June 30			
	<u>2004</u>	<u>2003</u>	<u>Percent Change</u>
Current assets	\$ 8,374,376	\$ 8,028,716	4.3 %
Capital assets, net	31,145,207	31,741,493	(1.9)
Total assets	39,519,583	39,770,209	(0.6)
Current liabilities	2,072,032	2,007,287	3.2
Noncurrent liabilities	21,871,806	23,370,092	(6.4)
Total liabilities	23,943,838	25,377,379	(5.6)
Invested in capital assets, net of related debt	8,850,208	8,626,492	2.6
Restricted net assets	3,025,022	2,292,432	32.0
Unrestricted net assets	3,700,515	3,473,906	6.5
Total net assets	\$ 15,575,745	\$ 14,392,830	8.2 %

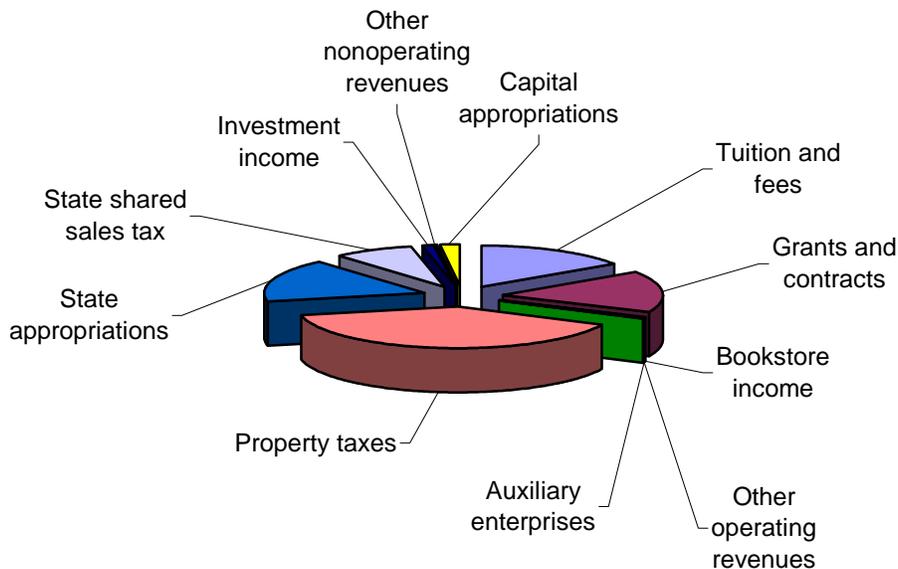
Statement of Revenues, Expenses, and Changes in Net Assets			
For the Two Fiscal Years Ended June 30			
	<u>2004</u>	<u>2003</u>	<u>Percent Change</u>
Operating revenues:			
Tuition and fees (net of scholarship allowances)	\$ 2,618,090	\$ 2,215,238	18.2 %
Grants and contracts	2,742,337	2,409,563	13.8
Other operating revenue	86,497	95,549	(9.5)
Total operating revenue	5,446,924	4,720,350	15.4
Operating expenses:			
Educational and general	13,494,211	12,568,079	7.4
Auxiliary enterprises	19,383	27,433	(29.3)
Depreciation	1,129,590	1,095,697	3.1
Total operating expenses	14,643,184	13,691,209	7.0
Net operating loss	(9,196,260)	(8,970,859)	2.5
Nonoperating revenues and expenses	10,059,875	8,243,920	22.0
Income/(loss) before other revenues, expenses			
gains, or losses	863,615	(726,939)	218.8
Capital appropriations	319,300	319,300	-
Increase/(decrease) in net assets	1,182,915	(407,639)	390.2
Net assets, beginning of year	14,392,830	14,800,469	(2.8)
Net assets, end of year	\$ 15,575,745	\$ 14,392,830	8.2

**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

The following schedule presents a summary of revenues for the fiscal year ended June 30, 2004, with comparative totals for June 30, 2003.

Revenues by Source	2004		2003		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Operating revenues						
Tuition and fees (net of scholarship allowances)	\$ 2,618,090	15.4 %	\$ 2,215,238	15.3 %	\$ 402,852	18.2 %
Grants and contracts	2,742,337	16.2	2,409,563	16.6	332,774	13.8
Bookstore income	38,312	0.2	36,524	0.3	1,788	4.9
Auxiliary enterprises	20,615	0.1	33,175	0.2	(12,560)	(37.9)
Other operating revenues	27,570	0.2	25,850	0.2	1,720	6.7
Total operating revenues	5,446,924	32.1	4,720,350	32.6	726,574	15.4
Nonoperating revenues						
Property taxes	6,685,584	39.4	6,200,587	42.9	484,997	7.8
State appropriations	2,905,500	17.2	2,905,500	20.1	-	-
State shared sales tax	1,347,583	7.9	329,552	2.3	1,018,031	308.9
Investment income (loss)	170,069	1.0	(72,174)	(0.5)	242,243	335.6
Other nonoperating revenues	79,571	0.5	62,146	0.4	17,425	28.0
Total nonoperating revenues	11,188,307	66.0	9,425,611	65.2	1,762,696	18.7
Capital appropriations	319,300	1.9	319,300	2.2	-	-
Total revenues	\$ 16,954,531	100.0 %	\$ 14,465,261	100.0 %	\$ 2,489,270	17.2 %

Revenues by Source FY 2004

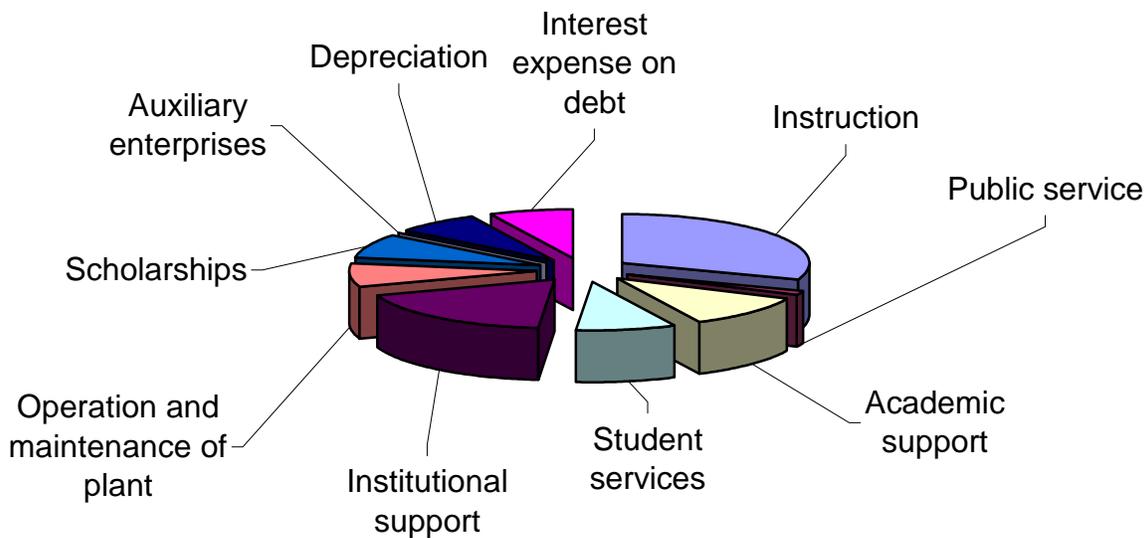


**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

The following schedule presents a summary of expenses for the fiscal year ended June 30, 2004, with comparative totals for June 30, 2003.

Expenses by Function	2004		2003		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
Operating expenses						
Education and general:						
Instruction	\$ 4,837,099	30.7 %	\$ 4,539,334	30.5 %	\$ 297,765	6.6 %
Public service	214,178	1.4	149,877	1.0	64,301	42.9
Academic support	1,692,923	10.7	1,634,056	11.0	58,867	3.6
Student services	1,371,654	8.7	1,329,354	8.9	42,300	3.2
Institutional support	2,901,029	18.4	2,785,293	18.6	115,736	4.2
Operation and maintenance of plant	1,195,136	7.6	1,035,311	7.0	159,825	15.4
Scholarships	1,282,192	8.1	1,094,854	7.4	187,338	17.1
Auxiliary enterprises	19,383	0.1	27,433	0.2	(8,050)	(29.3)
Depreciation	1,129,590	7.2	1,095,697	7.4	33,893	3.1
Total operating expenses	14,643,184	92.9	13,691,209	92.1	951,975	7.0
Nonoperating expenses						
Interest expense on debt	1,128,432	7.1	1,181,691	7.9	(53,259)	(4.5)
Total nonoperating expenses	1,128,432	7.1	1,181,691	7.9	(53,259)	(4.5)
Total expenses	\$ 15,771,616	100.0 %	\$ 14,872,900	100.0 %	\$ 898,716	6.0 %

Expenses by Function FY 2004

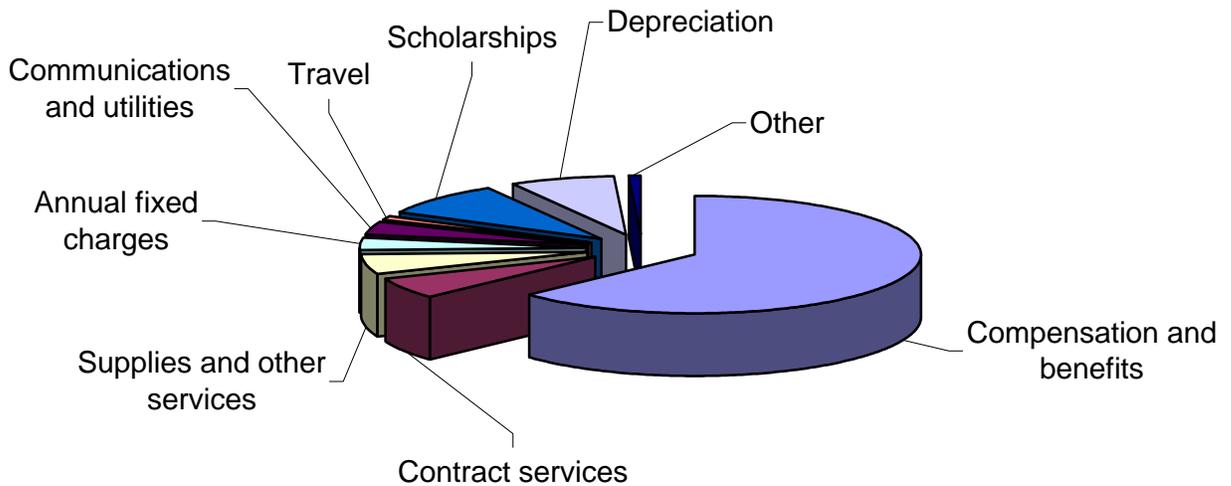


**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

The following schedule presents a summary of operating expenses by natural classification for the fiscal year ended June 30, 2004, with comparative totals for June 30, 2003.

Operating Expenses by Natural Classification	2004		2003		Increases/(Decreases)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
	Compensation and benefits	\$ 9,250,911	63.0 %	\$ 8,726,822	63.7 %	\$ 524,089
Contract services	842,607	5.8	684,735	5.0	157,872	23.1
Supplies and other services	799,812	5.5	919,522	6.7	(119,710)	(13.0)
Annual fixed charges	476,592	3.3	407,233	3.0	69,359	17.0
Communications and utilities	527,792	3.6	494,461	3.6	33,331	6.7
Travel	201,788	1.4	169,112	1.2	32,676	19.3
Scholarships	1,303,830	8.9	1,121,521	8.2	182,309	16.3
Depreciation	1,129,590	7.7	1,095,697	8.1	33,893	3.1
Other	110,262	0.8	72,106	0.5	38,156	52.9
Total operating expenses	\$ 14,643,184	100.0 %	\$ 13,691,209	100.0 %	\$ 951,975	7.0 %

Operating Expenses by Natural Classification FY 2004



**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

Financial Highlights and Analysis

The College's overall financial position improved in fiscal year 2004. Total assets decreased slightly while total liabilities decreased by \$1.3 million, due to retirement of long-term debt. Total net assets increased \$1,182,915, or 8.2%.

Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Tuition and fees (net of scholarship allowances) increased \$402,852, or 18.2%, primarily due to the District's tuition restructuring plan which was implemented in fiscal year 2004. The restructure consists of (1) \$7 per credit hour increase for residents, from \$37 to \$44; (2) four times the resident rate for nonresidents, which changed the rate to \$176 per credit hour whereas the fiscal year 2003 rate was \$90 for six credits or less and \$190 for more than six credits (retroactive to the first credit). The District installed a plateau from 12-18 credit hours, i.e. after a student (regardless of residency status) pays for 12 credit hours during the semester, the next six credit hours are free; tuition for over 18 credit hours are charged at the normal rate. In addition, Full Time Equivalent (FTSE) increase 7.7% over that of fiscal year 2003.
- Grants and contracts increased \$332,774, or 13.8%. Contributing to the increase are the following:
 - Increased Federal Financial Aid.
 - Nursing Education Grant from the Northern Arizona Health Education Center.
 - Support of the Development Director from the Coconino County Community Foundation.
- Auxiliary enterprises revenue decreased \$12,560, or 37.9% due to a decline in vending revenue. In fiscal year 2004, contracted food service was introduced at the Lone Tree campus, resulting in the decline in vending revenue.
- State shared sales tax increased \$1,018,031, or 308.9%. During fiscal year 2004, Coconino Community College received \$1,000,000 for capital match.
- Investment income increased \$242,243, or 335.6%. During fiscal year 2003, the Local Government Investment Pool experienced a loss due to National Century Financial Enterprises' (NCFE) bankruptcy. Coconino Community College's portion of this loss was 254,551. No such loss occurred in fiscal year 2004.
- Other nonoperating revenues increased \$17,425, or 28.0%, primarily due to a scheduled increase in tenant income and an increase in facility rental.
- Total operating expenses increased by \$951,975, or 7.0%. Functionally, most notable changes occurred in:

**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

- Public service increased by \$64,301, or 42.9%, due to increased expenditures for the Small Business Development Center (SBDC) and for noncredit classes and workshops.
- Operation and maintenance of plant increased by \$159,825, or 15.4%, for a variety of reasons. The warranty on the new telephone system at Lone Tree came out of warranty and maintenance agreements were put in place. A new warranty agreement was also put in place for the HVAC energy maintenance system. The Williams Campus was operational one-half year in fiscal year 2003, as opposed the entire year in fiscal year 2004. Bark beetle infestation made it necessary to remove numerous trees. In addition, one three quarter FTE maintenance staff person was added.
- Scholarships increased \$187,338, or 17.1%, due to increased Federal Financial Aid awards.
- Auxiliary enterprises decreased \$8,050, or 29.3%, due to the decline in vending revenue as a result of the introduction contracted food service at the Lone Tree campus.

Capital Asset and Debt Administration

Capital assets are defined as those items costing over \$5,000 and which have a normal useful life of more than two years. The District has created renewal and replacement (R&R) schedules for all of its facilities, as well as technology. The schedules are updated annually and funds are invested and designated for this purpose. For the year ending June 30, 2004, these funds amounted to approximately \$917,248.

Below is a summary of the capital assets, net of depreciation, as of June 30:

Capital Assets			<u>Percent</u>
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Land	\$ 1,089,000	\$ 1,089,000	- %
Buildings	29,039,864	29,238,863	(0.7)
Improvements other than buildings	229,806	201,747	13.9
Equipment	684,149	976,661	(30.0)
Vehicles	94,988	24,883	281.7
Construction in progress	7,400	210,339	(96.5)
Total capital assets	<u>\$ 31,145,207</u>	<u>\$ 31,741,493</u>	(1.9) %

At June 30, 2004, the District's had one bond issue outstanding, consisting of a general obligation bond issue for \$25,000,000. Total long-term debt at June 30, 2004, is \$22,295,000. No new debt was issued during the fiscal year.

Additional information on the District's capital assets and long-term debt can be found in Note 4 and 5, respectively, to the basic financial statements.

**Coconino County Community College District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004**

Current Factors Having Probable Future Financial Significance

The community college system-wide appropriation for state aid is provided by A.R.S. §15-1466. The formula is based on the current year base and enrollment growth. During the last two years, tourism and other factors have continued to decline, thereby reducing state revenue as a whole. The legislature reduced base state appropriations by 5% in fiscal years 2003 and 2004 and eliminated funding for enrollment growth. For fiscal year 2005, further cuts were not recommended and the state committed to restore funding for enrollment growth, therefore District has budgeted \$3,028,400 for state aid funding in fiscal year 2005, a 4.2% increase over fiscal year 2004. Despite this increase, the budgeted state aid for fiscal year 2005 is below that received in fiscal year 2002 by 2.4%.

Decreased state funding for colleges and universities has brought about a proposed restructure of the University system in Arizona. The effect the restructure will have on the Arizona community college system is unclear at this point.

In September 2004, the District received notice that the Title III – Strengthening Institutions Program grant application submitted in conjunction with Northland Pioneer College had been approved by the U.S. Department of Education. Coconino Community College and Northland Pioneer College propose to strengthen course completion, persistence and graduation rates among distance learning students through an innovative and sophisticated Distance Learning Resources Partnership. This partnership will facilitate the cooperative development and sharing of new and enhanced online supplemental instructional resources and student support services. The grant provides approximately \$2.5 million over a five year period.

Requests for Information

This discussion and analysis is designed to provide a general overview of the Coconino County Community College District's finances for all those with an interest in such matters. Questions concerning any of the information provided in this Comprehensive Annual Financial Report or requests for additional financial information should be addressed to the Office of the Controller, Coconino County Community College District, 2800 S. Lone Tree Road, Flagstaff, AZ 86001.

**Coconino County Community College District
Statement of Net Assets - Primary Government
June 30, 2004**

	<u>Business-Type Activites</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 416,652
Cash and investments held by the County Treasurer	5,392,425
Investments	2,083,542
Receivables:	
Property taxes (net of allowances of \$58,008)	141,821
Government grants and contracts	118,692
Interest	8,564
Other (net of allowances of \$7,665)	162,359
Prepaid items	31,211
Inventories	19,110
Total current assets	<u>8,374,376</u>
Noncurrent assets:	
Capital assets:	
Land	1,089,000
Buildings, net of depreciation	29,039,864
Improvements other than buildings, net of depreciation	229,806
Equipment, net of depreciation	684,149
Vehicles, net of depreciation	94,988
Construction in progress (estimated cost to complete \$100,000)	7,400
Total noncurrent assets	<u>31,145,207</u>
Total assets	<u>39,519,583</u>
Liabilities	
Current liabilities:	
Accounts payable	110,973
Accrued payroll and employee benefits	553,746
Deferred revenues	398,833
Deposits held in custody for others	65,764
Current portion of compensated absences payable	57,716
Current portion of long-term debt	885,000
Total current liabilities	<u>2,072,032</u>
Noncurrent liabilities:	
Compensated absences payable	461,806
Long-term debt	21,410,000
Total noncurrent liabilities	<u>21,871,806</u>
Total liabilities	<u>23,943,838</u>
Net Assets	
Invested in capital assets, net of related debt	8,850,208
Restricted:	
Expendable:	
Capital projects	2,913,986
Debt service	111,036
Unrestricted	3,700,515
Total net assets	<u>\$ 15,575,745</u>

See accompanying notes to financial statements.

**Coconino County Community College District
Statement of Financial Position - Component Unit
June 30, 2004**

	Coconino County Community College Foundation
Assets	
Current assets:	
Cash and cash equivalents	\$ 216,408
Unconditional promises to give	176,836
Investments, at market	330,994
Total current assets	724,238
Other Assets:	
Unconditional promises to give	257,302
Total other assets	257,302
Total assets	981,540
Liabilities	
Current liabilities:	
CCC College payable	60,264
Total current liabilities	60,264
Total liabilities	60,264
Net Assets	
Unrestricted	321,755
Temporarily restricted	492,150
Permanently restricted	107,371
Total net assets	\$ 921,276

See accompanying notes to financial statements.

Coconino County Community College District
Statement of Revenues, Expenses, and Changes in Net Assets-Primary Government
Year Ended June 30, 2004

	Business-Type Activities
Operating revenues:	
Tuition & fees (net of scholarship allowances of \$379,730)	\$ 2,618,090
Government grants and contracts	2,465,793
Private grants, and contracts	276,544
Bookstore income	38,312
Auxiliary enterprises	20,615
Other	27,570
Total operating revenues	5,446,924
Operating expenses:	
Educational and general:	
Instruction	4,837,099
Public service	214,178
Academic support	1,692,923
Student services	1,371,654
Institutional support	2,901,029
Operation and maintenance of plant	1,195,136
Scholarships	1,282,192
Auxiliary enterprises	19,383
Depreciation	1,129,590
Total operating expenses	14,643,184
Operating loss	(9,196,260)
Nonoperating revenues (expenses):	
Property taxes	6,685,584
State appropriations	2,905,500
Share of state sales taxes	1,347,583
Investment income	170,069
Interest expense on debt	(1,128,432)
Other	79,571
Total nonoperating revenues (expenses)	10,059,875
Income before other revenues, expenses, gains, or losses	863,615
Capital appropriations	319,300
Increase in net assets	1,182,915
Total net assets, July 1, 2003	14,392,830
Total net assets, June 30, 2004	\$ 15,575,745

See accompanying notes to financial statements.

Coconino County Community College District
Statement of Activities - Component Unit
Year Ended June 30, 2004

Coconino Community College Foundation

	Unrestricted			Temporarily Restricted	Permanently Restricted	TOTAL
	Unrestricted	Board-designated	TOTAL			
Support and revenue						
Public contributions	\$ 7,265	\$ -	\$ 7,265	\$ 326,383	\$ 8,068	\$ 341,716
Revenues	2,652	-	2,652	3,700	-	6,352
Investment earnings	-	-	-	5,938	-	5,938
Board-designated restriction changes	-	-	-	-	-	-
Donor restrictions changed	(111)	-	(111)	111	-	-
Total support and revenue	<u>9,806</u>	<u>-</u>	<u>9,806</u>	<u>336,132</u>	<u>8,068</u>	<u>354,006</u>
Net assets released from restrictions	<u>242,582</u>	<u>-</u>	<u>242,582</u>	<u>(242,582)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and other support	252,388	-	252,388	93,550	8,068	354,006
Expenses						
Program services	317,268	-	317,268	-	-	317,268
Supporting services	11,344	-	11,344	-	-	11,344
Total expenses	<u>328,612</u>	<u>-</u>	<u>328,612</u>	<u>-</u>	<u>-</u>	<u>328,612</u>
Change in net assets before other items	(76,224)	-	(76,224)	93,550	8,068	25,394
Unrealized gain on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,236</u>	<u>-</u>	<u>11,236</u>
Increase (decrease) in net assets	(76,224)	-	(76,224)	104,786	8,068	36,630
Net Assets, July 1, 2003	371,717	26,262	397,979	387,364	99,303	884,646
Net Assets, June 30, 2004	<u>\$ 295,493</u>	<u>\$ 26,262</u>	<u>\$ 321,755</u>	<u>\$ 492,150</u>	<u>\$ 107,371</u>	<u>\$ 921,276</u>

See accompanying notes to financial statements.

**Coconino County Community College District
Statement of Cash Flows - Primary Government
Year Ended June 30, 2004**

	Business-Type Activities
Cash flows from operating activities:	
Tuition and fees	\$ 2,695,883
Grants and contracts	2,810,152
Bookstore receipts	37,943
Commissions and rents	20,406
Other receipts	27,570
Payments to employees for salaries and benefits	(9,035,262)
Payments to suppliers and providers of goods and services	(3,128,870)
Payments for scholarships	(1,303,830)
Net cash used for operating activities	(7,876,008)
Cash flows from noncapital financing activities:	
Property taxes - primary	4,785,787
State appropriations	2,905,500
Share of state sales taxes	1,347,583
Other non-operating receipts	78,039
Deposits held in custody for others received	401,566
Deposits held in custody for others disbursed	(377,573)
Net cash provided by noncapital financing activities	9,140,902
Cash flows from capital and related financing activities:	
Property taxes - secondary	2,006,107
Capital appropriations	319,300
Purchases of capital assets	(533,306)
Principal paid on capital debt	(820,000)
Interest paid on capital debt	(1,111,005)
Arbitrage rebate paid	(686,525)
Net cash used for capital and related financing activities	(825,429)
Cash flows from investing activities:	
Interest received on investments	185,110
Net cash provided by investing activities	185,110
Net increase in cash and cash equivalents	624,575
Cash and cash equivalents, July 1, 2003	7,268,044
Cash and cash equivalents, June 30, 2004	\$ 7,892,619

See accompanying notes to financial statements.

(continued)

**Coconino County Community College District
Statement of Cash Flows - Primary Government
Year Ended June 30, 2004
(Continued)**

	Business-Type Activities
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (9,196,260)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,129,590
Changes in assets and liabilities:	
Government grants receivable	(19,257)
Other receivables	67,349
Prepaid items	111,766
Inventories	(762)
Accounts payable	(221,201)
Accrued payroll and employee benefits	168,938
Compensated absences	46,711
Deferred revenue	37,118
Net cash used for operating activities	\$ (7,876,008)
 Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents	\$ 416,652
Cash and investments held by the County Treasurer	5,392,425
Investments	2,083,542
Cash and cash equivalents	\$ 7,892,619

See accompanying notes to financial statements.

Coconino County Community College District
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Coconino County Community College District conform to generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

During the year ended June 30, 2004, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, which requires reporting as a component unit those organizations that raise and hold economic resources for the direct benefit of the District.

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely component unit, the Coconino Community College Foundation.

The Coconino Community College Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and support of District programs. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can only be used by, or for the benefit of, the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. For financial reporting purposes only the Foundation's statements of financial position and activities are included in the District's financial statements as required by generally accepted accounting principles for public colleges and universities.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board statements for non-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the respective counterpart financial statements of the District. The Foundation has a June 30 year end.

During the year ended June 30, 2004, the Foundation distributed \$168,638 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Office of the Foundation Development Office, Coconino County Community College District, 2800 S. Lone Tree Road, Flagstaff, AZ 86001.

Coconino County Community College District
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation and Accounting

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

A statement of net assets provides information about the assets, liabilities, and net assets of the District at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy District obligations. Invested in capital assets, net of related debt represents the value of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from providing instructional, public, and auxiliary services, which is consistent with the District's mission. Accordingly, revenues such as tuition, educational grants, and bookstore are considered to be operating revenues. Other revenues, such as property taxes and state appropriations, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Internal activity is eliminated using a charge-back method, charging user departments and reducing expenses in the department providing the service.

**Coconino County Community College District
Notes to Financial Statements
June 30, 2004**

Note 1 - Summary of Significant Accounting Policies (continued)

The District follows FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The District has chosen not to follow FASB Statements and Interpretations issued after November 30, 1989.

C. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, and investments in the State Treasurer's Local Government Investment Pool. All investments are stated at fair value.

D. Inventories

The supplies inventory is stated at cost by specific identification.

E. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$5,000		
Land improvements	\$5,000		
Buildings	\$5,000	straight line	40 years
Improvements Other than Buildings	\$5,000	straight line	15 years
Equipment and Vehicles	\$5,000	straight line	5 years
Library collections	\$5,000	straight line	10 years

F. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

Coconino County Community College District
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies (concluded)

G. Compensated Absences

Compensated absences consist of vacation leave, compensatory time earned, and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate vacation hours up to 1.5 times their annual vacation accrual, but any vacation hours in excess of the maximum amount that are unused at calendar year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees, up to a maximum of one year's accrual. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and therefore, are not accrued. However, employees hired prior to January 1996 and with 10 years of service, 50% of unused accrued sick leave up to a maximum of 1,040 hours do vest; and upon normal retirement after 55 years of age or as defined by the Arizona State Retirement System, 100% of unused accrued sick leave up to a maximum of 2,080 hours do vest. For employees hired after January 1996 who are 60 or over and who have 10 years of service, a portion (up to a maximum of \$5,000) of their sick leave benefits do vest. The vested amounts are accrued as a liability in the financial statements.

H. Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services provided by the District and the amount that is paid by the student or third parties making payments on behalf of the student. Accordingly, some types of student financial aid such as Pell grants and scholarships awarded by the District are considered to be scholarship allowances. These allowances are netted against tuition and fees revenues in the statement of revenues, expenses, and changes in net assets.

Note 2 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) require the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. The statutes do not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with the property of another when making investment decisions about those monies.

Deposits—The District's deposits at June 30, 2004, were entirely covered by federal depository insurance or by collateral held by the District's custodial bank in the District's name.

**Coconino County Community College District
Notes to Financial Statements
June 30, 2004**

Note 2 – Deposits and Investments (concluded)

Investments—At June 30, 2004, the District’s investments consisted of the following:

	Fair Value
Cash and investments held by the County Treasurer	\$ 5,392,425
Investment in State Treasurer’s investment pool	<u>2,083,542</u>
Total	<u><u>\$ 7,475,967</u></u>

The District’s investment in the State or County Treasurer’s investment pool represents a proportionate interest in those pools’ portfolios; however, the District’s portion is not identified with specific investments and is not subject to custodial credit risk.

The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. No comparable oversight is provided for the County Treasurer’s investment pool, and that pool’s structure does not provide for shares.

Note 3 – Other Receivables

Other receivables are shown net of related allowances for uncollectibles. A summary for other receivables at June 30, 2004, follows:

	Receivable	Allowance	Net Receivable
Vendor	\$ 96,767	\$ -	\$ 96,767
Student	73,188	7,665	65,523
Employee	69	-	69
	<u>\$ 170,024</u>	<u>\$ 7,665</u>	<u>\$ 162,359</u>

Coconino County Community College District
Notes to Financial Statements
June 30, 2004

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital assets not being depreciated:				
Land	\$ 1,089,000			\$ 1,089,000
Construction in progress (estimated cost to complete (\$100,000))	210,339	\$ 7,400	\$ 210,339	7,400
Total capital assets not being depreciated	<u>1,299,339</u>	<u>7,400</u>	<u>210,339</u>	<u>1,096,400</u>
Capital assets being depreciated:				
Buildings	30,663,996	582,155		31,246,151
Improvements other than Buildings	230,071	44,894		274,965
Equipment	1,904,952	23,400	15,142	1,913,210
Library books	22,235			22,235
Vehicles	57,338	85,794		143,132
Total capital assets being depreciated	<u>32,878,592</u>	<u>736,243</u>	<u>15,142</u>	<u>33,599,693</u>
Less accumulated depreciation for:				
Buildings	1,425,133	781,154		2,206,287
Improvements other than Buildings	28,324	16,835		45,159
Equipment	928,291	315,912	15,142	1,229,061
Library books	22,235			22,235
Vehicles	32,455	15,689		48,144
Total accumulated depreciation	<u>2,436,438</u>	<u>1,129,590</u>	<u>15,142</u>	<u>3,550,886</u>
Total capital assets being depreciated, net	<u>30,442,154</u>	<u>(393,347)</u>		<u>30,048,807</u>
Capital assets, net	<u>\$ 31,741,493</u>	<u>\$ (385,947)</u>	<u>\$ 210,339</u>	<u>\$ 31,145,207</u>

Note 5 - Long-Term Liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2004.

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due within 1 year
Compensated absences payable	\$ 472,811	\$ 494,259	\$ 447,548	\$ 519,522	\$ 57,716
Arbitrage payable	<u>\$ 669,098</u>	<u>\$ 17,427</u>	<u>\$ 686,525</u>	<u>\$ -</u>	<u>\$ -</u>
Bonds payable:					
General obligation bonds	\$ 23,115,000	\$ -	\$ 820,000	\$ 22,295,000	\$ 885,000
Total long-term debt	<u>\$ 23,115,000</u>	<u>\$ -</u>	<u>\$ 820,000</u>	<u>\$ 22,295,000</u>	<u>\$ 885,000</u>

**Coconino County Community College District
Notes to Financial Statements
June 30, 2004**

Note 5 – Long-Term Liabilities (concluded)

Bonds—The District’s bonded debt consists of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes. The \$25,000,000 in bonds were authorized by voters in November 1997, and were subsequently sold on January 7, 1999, at a net interest rate of 4.72%

Bonds outstanding at June 30, 2004, were as follows:

Description	Original Amount	Maturities	Interest Rates	Outstanding Principal
General obligation bonds Series A (1999)	\$25,000,000	annually through 7/1/2019	4.3% - 5.75%	\$22,295,000

Under Article IX of the Arizona Constitution, the total amount of indebtedness of the District may not exceed 15% of the County’s secondary property assessed valuation. The bonds are subject to Federal Arbitrage Regulations.

The following schedule details debt service requirements to maturity for the District’s bonds payable at June 30, 2004.

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2005	\$ 885,000	\$ 1,063,855
2006	955,000	1,012,968
2007	1,030,000	958,055
2008	1,105,000	898,830
2009	1,185,000	835,293
2010-14	7,220,000	3,326,695
2015-2019	9,915,000	1,423,213
Total	\$ 22,295,000	\$ 9,518,909

Note 6 - Operating Leases

The District leases the land on which the Fourth Street campus resides. The lease agreement is classified as an operating lease for accounting purposes. Rental expenses under the terms of the operating lease were \$28,833 for the year ended June 30, 2004. The operating lease has a remaining noncancelable term of 20 years, allowing four renewal options for eleven years each, and rental payments may be adjusted annually based on changes in the Consumer Price Index (CPI). The future minimum rental payments required under the operating lease at June 30, 2004, were calculated using an estimated CPI increase of 3% annually and are as follows:

**Coconino County Community College District
Notes to Financial Statements
June 30, 2004**

Note 6 – Operating Leases (concluded)

Future Minimum Operating Lease Payments

Year ending June 30:		\$
2005		29,698
2006		30,589
2007		31,507
2008		32,452
2009		33,425
2010-14		182,784
2015-19		211,896
2020-24		245,646
Total minimum lease payments at June 30, 2004		\$ 797,997

Note 7 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 - Retirement Plan

Plan descriptions—The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding policy—The Arizona State Legislature establishes and may amend active plan members' and the District's contribution rates. For the year ended June 30, 2004, active plan members and the District were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The District's contributions to the

**Coconino County Community College District
Notes to Financial Statements
June 30, 2004**

Note 8 – Retirement Plan (concluded)

System for the years ended June 30, 2004, 2003, and 2002, were \$292,129, \$124,119, and \$114,632, respectively, which were equal to the required contributions for the year.

In September 2001, the District implemented an Optional Retirement Plan (ORP), allowing the employee to opt out of the Arizona State Retirement System and establish a retirement account with one of three independent providers: ING Life Insurance and Annuity Company; Variable Annuity Life Insurance Company (VALIC); or Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF). For the year ended June 30, 2004, active participants and the District were required to contribute 7.0 percent and 5.2 percent, respectively, of the members' annual covered payroll. Under the ORP, long-term disability insurance is provided by TIAA-CREF at a rate of .312 percent of the members' annual covered payroll, with active participants and the District dividing the cost equally. The District's contributions to the ORP for the years ended June 30, 2004, 2003, and 2002, were \$36,583, \$14,642, and \$11,998, respectively.

Note 9 - Operating Expenses

The District's operating expenses are presented by functional classification in the Statement of Revenues, Expenses, and Changes in Net Assets. The operating expenses can also be classified into the following:

Compensation and benefits	\$ 9,250,911
Contract services	842,607
Supplies and other services	799,812
Annual fixed charges	476,592
Communications and utilities	527,792
Travel	201,788
Scholarships	1,303,830
Depreciation	1,129,590
Other	110,262
Total	\$ 14,643,184

Note 10 – Discretely Presented Component Unit Disclosures

Coconino County Community College Foundation

1. Summary of Significant Accounting Policies

The financial statements of Coconino County Community College Foundation (the Foundation) have been prepared on the accrual basis. The significant accounting policies and procedures followed are described below to enhance the usefulness of the financial statements to the reader.

Coconino County Community College District
Notes to Financial Statements
June 30, 2004

Note 10 – Discretely Presented Component Unit Disclosures (continued)

Nature of the Organization

Coconino County Community College Foundation was founded in 1993 under Arizona law as a nonprofit corporation. The mission of the Foundation is to promote the purposes and goals of Coconino County Community College (CCC College), thereby enhancing the opportunities of Coconino County residents. It is the fund raising organization for the solicitation, receipt and management of all private gifts, donations, and contributions, including gifts-in-kind. Funds are disbursed exclusively for charitable and educational purposes within the meaning of the Internal Service Code Section 501 (c) (3), including providing scholarships and financial aid, to fulfill research, teaching and service functions of the College, and to make or receive grants and loans of corporate property for the purposes of the College.

Financial Statement Presentation

The Foundation follows the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions and Life Annuity Gifts

The Foundation records contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. In addition, SFAS No. 116 requires the recording of life annuity contracts as gifts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Coconino County Community College District
Notes to Financial Statements
June 30, 2004**

Note 10 – Discretely Presented Component Unit Disclosures (continued)

2. Cash and Cash Equivalents

The following were included in cash and cash equivalents as of June 30, 2004:

Checking	\$	81,896	
Fidelity cash account		83,540	
Certificates of deposit		<u>50,972</u>	
	\$	<u>216,408</u>	

The Federal Deposit Insurance Corporation insures accounts up to \$100,000 per institution. As of June 30, 2004 the Foundation does not maintain cash balances in excess of this amount.

3. Investments

Investments are stated at aggregate fair market value at the date of the Statement of Financial Position. Unless specific prohibitive clauses are contained in the gift instruments, funds are pooled for investment purposes.

The market value and cost of the Foundation's investments at June 30 is as follows:

		Market Value		Cost
Common stock	\$	<u>181,955</u>	\$	<u>176,925</u>
U.S. gov't/agency bonds		49,818		49,990
Corporate bonds		74,426		74,905
Other securities		<u>24,795</u>		<u>25,000</u>
	\$	<u>330,994</u>	\$	<u>326,820</u>

4. Restrictions on Net Assets

Temporarily restricted net assets are available for scholarships and discretionary spending. Discretionary spending net assets are gifts that were pledged by the donors to be spent by a specific campus, area, or department for general needs.

Permanently restricted net assets are to provide a permanent endowment with the investment income restricted primarily for scholarship awards.

Statistical Section



**Coconino
Community
College**

**Coconino County Community College District
Revenues by Source
Last Three Fiscal Years**

	2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent
<u>Operating Revenues</u>						
Tuition and fees, net of scholarship allowances	\$ 2,618,090	15.5 %	\$ 2,215,238	15.3 %	\$ 1,864,336	13.1 %
Government grants and contracts	2,465,793	14.5	2,174,539	15.0	2,057,559	14.4
Private grants and contracts	276,544	1.6	235,024	1.6	96,788	0.7
Bookstore income	38,312	0.2	36,524	0.3	-	0.0
Auxiliary enterprises	20,615	0.1	33,175	0.2	42,758	0.3
Other	27,570	0.2	25,850	0.2	10,653	0.1
Total operating revenues	<u>\$ 5,446,924</u>	<u>32.1 %</u>	<u>\$ 4,720,350</u>	<u>32.6 %</u>	<u>\$ 4,072,094</u>	<u>28.6 %</u>
<u>Nonoperating Revenues</u>						
Property taxes	\$ 6,685,584	39.5 %	\$ 6,200,587	42.9 %	\$ 6,066,249	42.5 %
State appropriations	2,905,500	17.1	2,905,500	20.1	3,104,700	21.8
Share of state sales taxes	1,347,583	7.9	329,552	2.3	317,979	2.2
Investment income (loss)	170,069	1.0	(72,174)	(0.5)	328,524	2.3
Other	79,571	0.5	62,146	0.4	52,300	0.4
Total nonoperating revenues	<u>\$ 11,188,307</u>	<u>66.0 %</u>	<u>\$ 9,425,611</u>	<u>65.2 %</u>	<u>\$ 9,869,752</u>	<u>69.2 %</u>
Capital appropriations	\$ 319,300	1.9 %	\$ 319,300	2.2 %	\$ 314,400	2.2 %
Total revenues	<u>\$ 16,954,531</u>	<u>100.0 %</u>	<u>\$ 14,465,261</u>	<u>100.0 %</u>	<u>\$ 14,256,246</u>	<u>100.0 %</u>

Source: Comprehensive Annual Financial Report for fiscal years presented.

**Coconino County Community College District
Operating and Nonoperating Expenses
Last Three Fiscal Years**

	2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent
<u>Operating Expenses</u>						
Instruction	\$ 4,837,099	30.6 %	\$ 4,539,334	30.5 %	\$ 3,700,462	25.1 %
Public service	214,178	1.4	149,877	1.0	142,160	1.0
Academic support	1,692,923	10.7	1,634,056	11.0	1,590,572	10.8
Student services	1,371,654	8.7	1,329,354	8.9	1,351,457	9.2
Institutional support	2,901,029	18.4	2,785,293	18.7	3,924,224	26.5
Operation and maintenance of plant	1,195,136	7.6	1,035,311	7.0	972,581	6.6
Scholarships	1,282,192	8.1	1,094,854	7.4	1,052,478	7.1
Auxiliary enterprises	19,383	0.1	27,433	0.2	16,375	0.1
Depreciation	1,129,590	7.2	1,095,697	7.4	628,274	4.3
Total operating expenses	\$ 14,643,184	92.8 %	\$ 13,691,209	92.1 %	\$ 13,378,583	90.7 %
<u>Nonoperating Expenses</u>						
Interest expense on debt	\$ 1,128,432	7.2 %	\$ 1,181,691	7.9 %	\$ 1,188,343	8.1 %
Loss on disposal of capital assets	-	0.0	-	0.0	188,109	1.2
Total nonoperating expenses	\$ 1,128,432	7.2 %	\$ 1,181,691	7.9 %	\$ 1,376,452	9.3 %
Total Expenses	\$ 15,771,616	100.0 %	\$ 14,872,900	100.0 %	\$ 14,755,035	100.0 %

Source: Comprehensive Annual Financial Report for fiscal years presented.

**Coconino County Community College District
Expenditure Limitation
Statutory Limit to Budgeted Expenditures
Last Ten Fiscal Years**

FISCAL YEAR	STATUTORY EXPENDITURE LIMITATION (1)	BUDGETED EXPENDITURES SUBJECT TO THE LIMITATION (2)	UNUSED LEGAL LIMIT (3)
1994-95	\$ 7,599,551	\$ 5,401,497	\$ 2,198,054
1995-96	8,358,792	6,890,003	1,468,789
1996-97	8,098,460	8,098,459	1
1997-98	8,606,136	8,606,135	1
1998-99	8,817,955	8,817,954	1
1999-00	8,584,609	8,584,608	1
2000-01	8,294,190	8,294,189	1
2001-02	8,996,579	8,996,578	1
2002-03	9,843,252	9,843,251	1
2003-04	10,723,076	10,723,075	1

Source: District records.

Note 1: The Statutory Expenditure Limitation is calculated by the Arizona Department of Revenue Economic Estimates Commission and applies to Current Funds (General, Auxiliary Enterprise and Restricted) and Plant Funds (Unexpended and Retirement of Indebtedness).

Note 2: Budgeted expenditures are net of allowable exclusions.

Note 3: The unused legal limit may be carried forward to the extent it does not exceed fund balance

**Coconino County Community College District
Property Tax Levies and Collections
Last Ten Fiscal Years**

FISCAL YEAR	TOTAL TAX LEVY (1)	TOTAL TAX COLLECTIONS (2)	RATIO OF TOTAL TAX COLLECTIONS TO TOTAL TAX LEVY	OUTSTANDING DELINQUENT TAXES	RATIO OF DELINQUENT TAXES TO TOTAL TAX LEVY
1994-95	\$ 2,742,094	\$ 2,756,133	100.51 %	\$ 114,306	4.17 %
1995-96	2,907,547	2,877,602	98.97	138,938	4.78
1996-97	3,169,405	3,101,761	97.87	138,757	4.38
1997-98	3,237,396	3,162,511	97.69	167,321	5.17
1998-99	3,392,442	3,392,556	100.00	160,600	4.73
1999-00	5,388,345	5,384,854	99.94	143,270	2.66
2000-01	5,582,283	5,574,757	99.87	177,683	3.18
2001-02	5,898,978	5,851,867	99.20	266,961	4.53
2002-03	6,120,781	6,108,155	99.79	303,099	4.95
2003-04	6,514,951	6,360,303	97.63	225,289	3.46

Source: Coconino County Treasurer's Office and District records.

(1) Tax Levy is based on levy limits of the calendar year at June 30.

(2) Cash basis; excludes payments in lieu of taxes.

**Coconino County Community College District
Property Tax Levies
Secondary Assessed Value and Current Market Value
of All Taxable Property
Last Ten Tax Years
(Dollars in Thousands)**

TAX YEAR	TOTAL PROPERTY VALUES		TOTAL ASSESSED VALUE AS A PERCENT OF TOTAL MARKET VALUE
	ASSESSED	CURRENT MARKET	
1995	\$ 763,229	\$ 5,162,803	14.8 %
1996	780,215	5,814,529	13.4
1997	845,386	6,215,438	13.6
1998	887,556	6,462,245	13.7
1999	939,915	6,700,526	14.0
2000	1,004,869	7,158,212	14.0
2001	1,062,082	7,535,970	14.1
2002	1,084,876	7,860,165	13.8
2003	1,151,482	8,526,470	13.5
2004	1,222,226	9,238,836	13.2

Source: Coconino County Assessor's Office

Note: Figures are not broken out between secured and unsecured.

**Coconino County Community College District
 Primary Property Tax Rates, Direct and Overlapping Governments
 Last Ten Tax Years
 (Per \$100 Assessed Valuation)**

Tax Year	Coconino County Community College District	State of Arizona	Coconino County (1)	County Education District
1995	\$ 0.3728	\$ 0.4700	\$ 0.9308	\$ 2.3600
1996	0.3784	-	0.9137	2.2000
1997	0.3869	-	0.8899	2.2000
1998	0.3949	-	0.8733	2.2000
1999	0.4001	-	0.8650	2.1654
2000	0.3973	-	0.8556	2.1265
2001	0.4010	-	0.8407	2.0647
2002	0.4083	-	0.9042	2.0296
2003	0.4098	-	0.9470	1.9583
2004	0.4065	-	0.9313	1.8931

Tax Year	Cities or Fire Districts (2)		School Districts	
	Range		Range	
	From	To	From	To
1993	\$ 0.6644	\$ 1.3880	\$ 2.2336	\$ 7.6900
1994	\$ 0.6644	\$ 1.3880	\$ 2.2370	\$ 7.6483
1995	\$ 0.7326	\$ 1.3880	\$ 1.6118	\$ 7.6483
1996	0.7326	1.3880	1.9114	6.8876
1997	0.7326	1.3880	2.2947	6.6914
1998	0.7326	1.3526	2.4607	7.8187
1999	0.7326	1.3138	1.9307	7.3800
2000	0.7326	1.2573	1.8239	6.4113
2001	0.7326	1.2573	1.0763	7.8089
2002	0.7326	1.4676	1.6887	6.6580
2003	0.7326	1.6089	1.6760	8.2795
2004	0.7326	1.6089	1.7445	8.2761

Source: Coconino County Office of Planning & Budget

(1) Coconino County applies to the General and State Education Equalization

(2) Fire Districts levies are based on *secondary* values

**Coconino County Community College District
Secondary Property Tax Rates, Direct and Overlapping Governments
Last Ten Tax Years
(Per \$100 Assessed Valuation)**

Tax Year	Coconino County Community College District	Coconino Association for Vocation, Industry, and Technology	Coconino County (1)	County Education District
1995	\$ -	\$ -	\$ 0.2164	\$ -
1996	-	-	0.2248	-
1997	-	-	0.2269	-
1998	-	-	0.2361	-
1999	0.1946	-	0.2711	-
2000	0.1751	-	0.2780	-
2001	0.1707	0.0500	0.2544	-
2002	0.1726	0.0500	0.2899	-
2003	0.1677	0.0500	0.2899	-
2004	0.1595	0.0500	0.2899	-

Tax Year	Cities or Fire Districts Range		School Districts Range	
	From	To	From	To
1993	\$ -	\$ 2.6000	\$ -	\$ 9.9260
1994	\$ -	\$ 2.6000	\$ -	\$ 5.5190
1995	\$ -	\$ 2.6000	\$ -	\$ 6.9003
1996	-	2.6000	-	5.2463
1997	-	2.6000	-	6.6700
1998	-	2.6000	-	7.2869
1999	-	2.6000	-	7.8837
2000	-	2.6000	-	7.5159
2001	-	2.5000	-	6.6782
2002	-	3.0000	-	7.8860
2003	-	3.0000	-	9.6289
2004	-	3.0000	-	6.3716

2004 Tax Rates (Special Districts)

Flood Control (2)	\$ 0.0797
Forest Lakes Domestic Water	1.1730
Williams Facilities District	0.2993
Williams Hospital District	1.0057
Page Hospital District	0.8316

Source: Coconino County Office of Planning & Budget

(1) Coconino County applies to the General, Library District and Fire District Assistance Funds.

(2) Flood Control District applies to all property outside the cities of Flagstaff, Page and Fredonia.

**Coconino County Community College District
 Computation of Legal Debt Margin
 Year Ended June 30, 2004**

Secondary Assessed Value of Real and Personal Property		<u>\$ 1,222,225,551</u>
Debt Limit , 15% of Secondary Assessed Value		<u>\$ 183,333,833</u>
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonded Debt	<u>\$ 22,295,000</u>	
Total Debt Applicable to Debt Limit		<u>22,295,000</u>
Legal Debt Margin		<u>\$ 161,038,833</u>

Source: District Records

**Coconino County Community College District
 Computation of Direct and Overlapping Bonded Debt
 General Obligation Bonds
 June 30, 2004**

Direct Debt:

Coconino County Community College District	\$ 22,295,000
Net general obligation debt	<u>22,295,000</u>

Overlapping Debt:

City of Flagstaff	7,260,000
City of Williams	-
Flagstaff Unified School District #1	40,240,000
Fredonia-Moccasin Unified School District #6	-
Grand Canyon Unified School District #4	2,880,000
Page Unified School District #8	5,770,000
Sedona-Oak Creek Unified School District #9	8,026,332
Tuba City Unified School District #15	2,605,000
Williams Unified School District #2	1,685,000
Overlapping debt	<u>68,466,332</u>
Total direct general obligation and overlapping debt	<u>\$ 90,761,332</u>

Source: RBC Dain Rauscher Incorporated

**Coconino County Community College District
Top Ten Principal Taxpayers
June 30, 2004**

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>ESTIMATED 2004 SECONDARY ASSESSED VALUE</u>	<u>PERCENTAGE OF DISTRICT'S 2004 SECONDARY ASSESSED VALUE</u>
Arizona Public Service	Utility	\$ 60,611,576	4.96 %
Tucson Electric Power	Utility	20,299,812	1.66
Transwestern Pipeline	Utility	21,417,098	1.75
City of Los Angeles			
Dept. of Water & Power	Utility	19,895,758	1.63
Qwest Corporation	Utility	17,517,454	1.43
El Paso Natural Gas	Utility	19,690,035	1.61
Burlington No. & Santa Fe Railway	Railroad	18,190,724	1.49
Nevada Power Company	Utility	12,636,504	1.03
W.L. Gore & Associates	Manufacturing	9,896,878	0.81
Questar Southern Trails Pipeline	Utility	5,633,133	0.46
	Total Top Ten Taxpayers	<u>\$ 205,788,972</u>	<u>16.83 %</u>

Sources: Arizona Department of Revenue

Note: All figures are based on secondary assessed valuation.

**Coconino County Community College District
Historic Enrollment
Last Ten Fiscal Years**

FALL HISTORIC HEADCOUNT (1)

<u>COLLEGE/CENTER</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Flagstaff	3,165	3,108	2,621	2,767	2,736
Page	280	331	309	348	286
Grand Canyon	15	15	16	32	40
Williams	39	39	42	27	38
Other	8	8	1	-	37
NAU	260	284	369	406	436
Total	<u>3,767</u>	<u>3,785</u>	<u>3,358</u>	<u>3,580</u>	<u>3,573</u>

<u>COLLEGE/CENTER</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Flagstaff	2,518	2,603	2,699	2,417	2,200
Page	226	203	252	248	256
Grand Canyon	15	32	26	31	26
Williams	28	14	21	43	40
Other	-	21	29	-	34
NAU	486	561	868	1,030	1,209
Total	<u>3,273</u>	<u>3,434</u>	<u>3,895</u>	<u>3,769</u>	<u>3,765</u>

HISTORIC FTSE (2)

<u>SEMESTER</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>
Fall/Spring Average	1,538.1	1,439.8	1,334.8	1,403.9	1,371.8
Summer	181.7	160.8	149.2	162.8	160.8
Short	104.2	93.1	80.3	85.6	71.3
Annual Total	<u>1,824.0</u>	<u>1,693.7</u>	<u>1,564.3</u>	<u>1,652.3</u>	<u>1,603.9</u>

<u>SEMESTER</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Fall/Spring Average	1,280.8	1,313.5	1,427.6	1,369.3	1,240.4
Summer	165.5	155.4	150.7	146.0	146.0
Short	45.3	27.8	9.2	2.9	1.1
Annual Total	<u>1,491.6</u>	<u>1,496.7</u>	<u>1,587.5</u>	<u>1,518.2</u>	<u>1,387.5</u>

Source: District records

- (1) Headcount is unduplicated for the 45th day of Fall semesters only.
- (2) Full Time Student Equivalent (15 Credit Hours)

**Coconino County Community College District
Student Enrollment Demographic Statistics
Last Ten Fall Semesters**

<u>FALL SEMESTER</u>	<u>RESIDENCY</u>			<u>MEAN AGE</u>
	<u>COUNTY RESIDENT</u>	<u>OUT OF COUNTY</u>	<u>OUT OF STATE</u>	
1994	88 %	9 %	3 %	29
1995	87	9	4	29
1996	88	9	3	29
1997	82	11	7	29
1998	85	8	7	29
1999	86	4	10	29
2000	94	5	1	28
2001	94	5	1	29
2002	93	6	1	29
2003	94	5	1	28

<u>FALL SEMESTER</u>	<u>ATTENDANCE</u>		<u>GENDER</u>	
	<u>FT</u>	<u>PT</u>	<u>M</u>	<u>F</u>
1994	12 %	88 %	39 %	61 %
1995	13	87	40	60
1996	13	87	41	59
1997	14	86	41	59
1998	14	86	41	59
1999	14	86	41	59
2000	19	81	41	59
2001	16	84	42	58
2002	20	80	41	59
2003	20	80	41	59

<u>FALL SEMESTER</u>	<u>ETHNIC BACKGROUND</u>					
	<u>AMERICAN INDIAN</u>	<u>ASIAN</u>	<u>BLACK</u>	<u>HISPANIC</u>	<u>WHITE</u>	<u>OTHER</u>
1994	14 %	2 %	1 %	10 %	72 %	1 %
1995	15	2	1	10	70	2
1996	15	2	1	10	71	1
1997	15	2	1	9	72	1
1998	15	1	1	9	73	1
1999	16	1	2	9	71	1
2000	17	1	1	9	71	1
2001	18	2	1	9	69	1
2002	19	2	2	8	67	2
2003	18	2	1	9	68	2

Source: District records

Note: Coconino Community College students only - does not include CCC/NAU students.

**Coconino County Community College District
Historic General Resident Tuition
Last Ten Fiscal Years**

District Historic General Resident Tuition

Fiscal Year	General Resident Tuition Per Credit Hour	Annual Cost Per Full-time Student	Increase	
			Dollars	Percent
1994-95	\$ 25.00	\$ 750.00	\$ 0.00	0.0 %
1995-96	27.00	810.00	60.00	8.0
1996-97	27.00	810.00	0.00	0.0
1997-98	27.00	810.00	0.00	0.0
1998-99	27.00	810.00	0.00	0.0
1999-00	30.00	900.00	90.00	11.1
2000-01	33.00	990.00	90.00	10.0
2001-02	34.00	1,020.00	30.00	3.0
2002-03	37.00	1,110.00	90.00	8.8
2003-04	44.00	1,056.00	(54.00)	(4.9)

National and Statewide Comparisons
(Based on Full-time Enrollment for the Academic Year)

Fiscal Year	National Community College Average (1)		Arizona Universities Average (3)	
	Annual Cost	Percent Change	Annual Cost	Percent Change
1994-95	\$ 1,192.00	6.0 %	\$ 1,894.00	2.7 %
1995-96	1,239.00	3.9	1,950.00	3.0
1996-97	1,276.00	3.0	2,009.00	3.0
1997-98	1,314.00	3.0	2,058.00	2.4
1998-99	1,327.00	1.0	2,158.00	4.9
1999-00	1,338.00	0.8	2,259.00	4.7
2000-01	1,333.00	(0.4)	2,344.00	3.8
2001-02	1,379.00	3.5	2,486.00	6.1
2002-03	1,399.00 (2)	1.5	2,583.00	3.9
2003-04	1,560.00 (2)	11.5	3,593.00	39.1

Source: District Records.

- (1) U.S.Department of Education, National Center for Education Statistics -- Higher Education Statistics: Student Charges (Digest of Education Statistics 2002)
- (2) Estimate from American Association of Community Colleges survey, August 2003.
- (3) Arizona Board of Regents Tuition History.

**Coconino County Community College District
Economic Indicators for Coconino County
June 30, 2004**

Coconino County Non-Farm Employment by Sector (1)

<u>Sector</u>	<u>Number of Personnel</u>	<u>Percent of Total</u>
Natural Resources and Mining	150	0.26 %
Manufacturing	3,000	5.10
Construction	2,700	4.59
Trade, Transportation, and Utilities	9,400	15.99
Information	475	0.81
Financial Activities	1,500	2.55
Professional and Business Services	3,100	5.27
Educational and Health Services	6,975	11.87
Leisure and Hospitality	11,050	18.80
Other Services	1,675	2.85
Federal Government	3,350	5.70
State and Local Government	15,400	26.21
	<hr/>	
Totals	<u>58,775</u>	<u>100.00 %</u>
Total Unemployment Rate (9 Month Average) for Coconino County		<u>6.4 %</u>
Arizona September 2003 Unemployment Rate		<u>4.8 %</u>
United States September 2003 Unemployment Rate		<u>5.4 %</u>

Source: Arizona Department of Economic Security (DES)

(1) Employment by Sector statistics are based on the first nine months of the 2003 annual average.

All Unemployment Rates are seasonally adjusted.

**Coconino County Community College District
Miscellaneous Statistics
June 30, 2004**

Established:	July 1, 1991		
Geographical Location:	North Central Arizona		
Geographical Area:	18,600 Square Miles		
Altitude:	Flagstaff Campuses/District Offices	7,000 Feet	
	Page Campus	4,300 Feet	
		<u>Year</u>	<u>Population</u>
Population Statistics (State of Arizona)		2003	5,580,811 Estimated
(Coconino County)		2003	121,301 Estimated
		2005	135,600 Projected
		2010	147,350 Projected
		2015	158,750 Projected
		2020	169,350 Projected
		2025	179,550 Projected
		2050	235,700 Projected
Number of Faculty:		Full-time.	32
		Part-time.	82.1 FTE
Number of Administrative and Support Staff:			111 FTE
Average Class Size:			12.9
Degrees and certificates awarded:			
	Degrees:	Associate of Arts	64
		Associate of Business	16
		Associate of Science	1
		Associate of Applied Science	25
		Associate of General Studies	7
	Certificates of Completion in Occupational Programs:		19
Accredited by:	North Central Association of Colleges and Schools Commission on Institutions of Higher Education		
Sources:	District records		
	Arizona Department of Economic Security		
	U.S. Census Bureau		

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Annual Budgeted Expenditure Limitation Report Section



**Coconino
Community
College**

MILLER, ALLEN & CO., P.C.

Certified Public Accountants

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MARK L. LANDY, C.P.A.
STEPHEN T. HARRIS, C.P.A.

ROBERT L. MILLER, C.P.A.
(1931 - 1992)

Independent Auditor's Report

The Auditor General of the State of Arizona

Members of the Arizona State Legislature

The Governing Board of
Coconino County Community College District

We have audited the accompanying Annual Budgeted Expenditure Limitation Report of Coconino County Community College District for the year ended June 30, 2004. This report is the responsibility of the District's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Budgeted Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Budgeted Expenditure Limitation Report of Coconino County Community College District for the year ended June 30, 2004, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Governing Board, and for filing with the Auditor General of the State of Arizona, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Miller, Allen & Co., P.C.

October 29, 2004

**Coconino County Community College District
Annual Budgeted Expenditure Limitation Report- Part I
Year Ended June 30, 2004**

1. Economic Estimates Commission expenditure limitation	\$ 10,723,076	
2. Voter-approved modified expenditure limitation	N/A	
3. Enter applicable amount from Line 1 or Line 2		\$ 10,723,076
4. Total amount subject to the expenditure limitation (from Part II, Line C)	\$ 11,070,658	
5. Less expenditures of monies received pursuant to Arizona Revised Statutes §15-1472 (workforce development)	\$ (347,583)	
6. Adjusted amount subject to the expenditure limitation		\$ 10,723,075
7. Amount under the expenditure limitation		\$ 1

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: _____

Name and Title: Jami V. Bradley, Vice President for Business and Administrative Services

Telephone Number: 928-226-4209

Date: October 20, 2004

See accompanying notes to report.

**Coconino County Community College District
Annual Budgeted Expenditure Limitation Report - Part II
Year Ended June 30, 2004**

<u>Description</u>	Current Funds			Plant Funds		Total
	Unrestricted		Restricted	Unexpended	Retirement of Indebtedness	
	General	Auxiliary Enterprises				
A. Total budgeted expenditures	\$ 10,875,663	\$ 19,383	\$ 2,920,556	\$ 619,745	\$ 1,939,714	\$ 16,375,061
B. Less exclusions claimed:						
Debt service requirements on bonded indebtedness (Note 2)					1,931,005	1,931,005
Grants and aid from the federal government	14,158		2,451,635			2,465,793
Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	235,334		39,800	1,410		276,544
Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements (Note 3)				416,710		416,710
Tuition and fees (Note 4)	214,351					214,351
Total exclusions claimed	463,843	-	2,491,435	418,120	1,931,005	5,304,403
C. Amounts subject to the expenditure limitation	\$ 10,411,820	\$ 19,383	\$ 429,121	\$ 201,625	\$ 8,709	\$ 11,070,658

See accompanying notes to report.

Coconino County Community College District
Notes to Annual Budgeted Expenditure Limitation Report
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The Annual Budgeted Expenditure Limitation Report (ABELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System (UERS)*, as required by Arizona Revised Statutes (A.R.S.) §41-1279.07, which excludes expenditures of certain revenues specified in the Arizona Constitution, Article IX, §21 from the budgeted expenditures.

The information reported in both the ABELR and the financial statements is derived from the same underlying accounting data. However, the formats of the ABELR and the financial statements differ. The ABELR presents budgeted expenditures, exclusions, and amounts subject to the limitation by fund type as required by A.R.S. §41-1279.07. The financial statements present the net assets, changes in net assets, and cash flows for the District as a whole in accordance with U.S. generally accepted accounting principles.

In accordance with the UERS requirements, a note to the ABELR is presented below for any exclusion reported in the Total column on Part II that cannot be traced directly to an amount reported in the annual financial statements.

Note 2

Exclusions claimed for debt service requirements on bonded indebtedness are \$1,931,005. This amount consists of the amounts reported as principal paid on capital debt and interest paid on capital debt, \$820,000 and \$1,111,005 respectively, on the Statement of Cash Flows.

Note 3

Exclusions claimed for amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements are \$416,710. This amount is reported on the Statement of Cash Flows as part of purchases of capital assets.

Note 4

Of the gross tuition and fees of \$2,997,820 reported on the Statement of Revenues, Expenses, and Changes in Net Assets, only \$214,351 was claimed as an exclusion. The remaining \$2,783,469 has been carried forward to future years.